MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016/2017

DFA5028 – FINANCIAL ACCOUNTING 2

(For Diploma Students Only)

01 JUNE 2017
09:00a.m. – 12:00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **6** pages with **4** questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Kline Smith runs a modern office furniture business called Fit Furniture Company. He does not keep complete accounting records, but he is able to provide the following information about his financial position as at 1 January 2016: Inventory of furniture, RM2,100; Accounts receivable, RM3,100; Accounts payable, RM1,860; Motor vehicle, RM10,000; Fixtures RM6,500; and Motor vehicle expenses owing RM420.

He also provided the following summary of his bank account for the year 2016:

Bank

	(RM)		(RM)
Balance as at 1 Jan 2016	3,650	Payments to creditors	24,140
Receipts from debtors	42,630	Electricity	1,530
Cash sales	4,250	Telephone	510
		Rent	2,500
		Advertising	1,150
		Fixtures	3,100
		Insurance	850
		Motor vehicle expenses	2,341
		Drawings	12,100
		Balance as at 31 Dec 2016	2,309
	50,530		50,530

The following additional information is available:

1. Motor vehicle is to be depreciated at 20% and Fixtures at 10%, calculated on the book values as at 1 January 2016 plus addition during the year.

2. At 31 December 2016 motor vehicle expenses owing were RM361 and insurance paid in advance was RM230.

3. Included in the amount paid for fixtures were: office table bought for RM600 which he resold during the year at the same price; and a metal shelve that cost RM350, which he used for his personal house extension.

4. Other balances as at 31 December 2016 were: Accounts receivable, RM4,012; Accounts payable, RM2,500; and Inventory of furniture, RM4,725.

Instructions:

(a) Prepare the Statement of Affairs as at 31 December 2015 (4.5 Marks)

(b) Prepare the Purchases and Sales Ledger Control accounts 31 December 2016. (2 Marks)

(c) Prepare the ledger for any prepayments or accruals. (2 Marks)

(d) Prepare the Statement of Comprehensive Income for the Year Ended 31 December 2016. (7.5 Marks)

(e) Prepare the Statement of Financial Position as at 31 December 2016. (9 Marks)

(TOTAL 25 MARKS)

Continued...

QUESTION 2

Part A

BackPacker Company, a merchandise company that buy and sells hiking bags, distributes their inventory to retail stores and extends credit terms of 2/10, n/30 to all of its customers. At the end of December 2016, their inventory had 100 units of hiking bags at a cost of RM300 each.

During the month of January 2017 the following merchandising transactions occurred:

Jan 1 Purchased 200 units of hiking bags on account for RM300 each from Hike It Distributors, FOB destination, terms 1/10, n/30. The appropriate party also made a cash payment of RM40 for freight on this date.

3 Received a credit memo RM1,500 for 5 units returned to Hike It Distributors.

5 Sold 150 units of hiking bags on account to Grip Go Company for RM500 each, FOB shipping point. The appropriate party also made a cash payment of RM50 for freight on this date.

9 Paid Hike It Distributors in full.

10 Issued a credit memo RM5,000 to Grip Go Company for the return of 10 units hiking bags that cost RM300 each.

14 Received payment in full from Grip Go Company.

15 Purchased 120 units of hiking bags on account for RM300 each from Box Hill Supplier, FOB shipping point, term 1/10, n/30. The appropriate party also made a cash payment of RM40 for freight on this date.

18 Received RM2,400 credit for 8 units returned to Box Hill Supplier.

20 Sold 110 units of hiking bags on account to Fit Bags Company for RM520 each, FOB Destination. The appropriate party also made a cash payment of RM50 for freight on this date.

24 Paid Box Hill in full.

25 Granted Fit Bags Company RM2,080 credit for 4 units of hiking bags returned costing RM300 each.

29 Received payment in full from Fit Bags Company.

Instruction:

Journalize the above transactions using the perpetual inventory system. (20 Marks)

Continued...

Part B

Fill in the blanks by using the given answers on each of the following statements. Answer in the answer sheets provided.

Periodic Inventory	Perpetual Sales	Service Merchandiser	Equipment Fright Costs	Operating Expense Sales Discounts

1. Measuring net income for a merchandiser is conceptually the same as for a _____ company.
2. For a _____, the primary source of revenues is the sale of inventory.
3. Salaries and wages expense is an example of an _____.
4. A _____ inventory system provides better control over inventories than a _____ inventory system.

(5 Marks)

(TOTAL 25 MARKS)

QUESTION 3

Part A

Milky Paws Company had Accounts receivable on 1 March 2016 worth RM75,000 and Allowance for doubtful accounts RM6,300. Milky Paws Inc. prepares annual financial statements and following are selected transactions occurred.

Mar 1	Sold RM15,200 of merchandise to Sierra Enterprise, terms n/30.
Apr 15	Accepted RM15,200, 3 month, 15% promissory note from Sierra Enterprise for the balance due.
24	Sold RM12,000 of merchandise to Tim Company and accepted RM12,000, 4 month, 5% note for the balance due.
July 15	Collected from Sierra Enterprise note in full.
Aug 24	Tim Company dishonors its note of August 24. It is expected that Tim Company will eventually pay the amount owed.
Sept 1	Loaned RM12,000 to Cradle Trading on a 90 day, 10% note.
30	Accrued interest revenue on the Cradle Trading note.
Nov 30	Collected the Cradle Trading note at maturity.

Instruction:

Journalize the above transactions for Milky Paws Company. (10 marks)

Continued...

Part B

Fireworks Company sold two machines during the year 2016. Detailed information pertaining to the two machines are as below:

Machine	Cost (RM)	Date Purchase	Useful Life	Salvage Value (RM)	Depreciation Method	Date Sold	Sales Price (RM)
A	128,000	1/7/12	5 years	8,000	Straight Line	1/7/16	27,000
B	90,000	1/7/15	5 years	5,000	Double Declining	31/12/16	52,000

Instructions:

(a) Calculate the depreciation expense on each machine up to the date of disposal by using a table format. Show all workings.

(9 Marks)

(b) Prepare journal entries for the year 2016 to record the depreciation expenses and sales of each machine.

(6 Marks)

(TOTAL 25 MARKS)

QUESTION 4

Part A

Assume the indirect method is used to compute cash flows from operations. For each statement listed below, identify the correct effect on net income in arriving at cash flows from operations by choosing one of the following answers. Answer in the answer sheets provided.

Cash Flows From Operating Activities	Code
Add to Net Income	A
Deduct from Net Income	D

1. Increase in accounts receivable
2. Increase in inventory
3. Decrease in prepaid expenses
4. Decrease in accounts payable
5. Increase in accrued expense
6. Increase in income taxes payable
7. Depreciation expense
8. Loss on sale of investment
9. Gain on disposal of equipment
10. Amortization expense

(10 Marks)

Continued...

Part B

Troika Company owns by Ben, sells imported fruits from worldwide suppliers. As at 31 December 2016, the company's income statement showed revenues of RM275,000 and operating expenses of RM135,000. Accounts receivable decreased by RM40,000 and accounts payable increased by RM35,000 during the year.

Instructions:

Based on above information, calculate below items by using the direct method.

(a) The total cash receipts from customers. Show all workings. (1.5 Marks)

(b) The cash payments for operating expenses using the direct method. Show all workings. (1.5 Marks)

Part C

Honesty Corporation's comparative Statement of Financial Position is presented as below.

HONESTY CORPORATION
Comparative Statement of Financial Position
As at 31 December

	2016	2015
Assets	**(RM)**	**(RM)**
Cash	18,700	22,700
Accounts receivable	24,700	22,300
Investments	25,000	16,000
Equipment	59,000	70,000
Less: Accumulated depreciation	(14,500)	(10,000)
Total	112,900	121,000
Liabilities & Stockholder's Equity		
Accounts payable	13,600	11,100
Bonds payable	6,000	30,000
Common stock	50,000	45,000
Retained earnings	43,300	34,900
Total	112,900	121,000

Additional information:

1. Net income was RM17,700. Dividends declared and paid were RM9,300.
2. Equipment which cost RM11,000 and had accumulated depreciation of RM2,000 was sold for RM4,000.
3. All other changes in non-current account balances had a direct effect on cash flows, except the change in accumulated depreciation.

Continued...

Instructions:

(a) Prepare the Statement of Cash Flows for the year 2016 using the indirect method.

(10 Marks)

(b) Calculate the company's free cash flow for the year 2016.

(2 Marks)

(TOTAL 25 MARKS)

End of Page.